

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA

Docket No. 2019-290-WS

In Re:	)	
	)	
Application of Blue Granite Water	)	STIPULATION OF AGREEMENT
Company for Approval to Adjust Rate	)	
Schedules and Increase Rates	)	
	)	
	)	

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This Stipulation of Agreement (“Stipulation” or “Agreement”) is made by and among Blue Granite Water Company (“Blue Granite”), the South Carolina Department of Consumer Affairs (“DCA”), the 40 Love Point Homeowners Association and the South Carolina Office of Regulatory Staff (“ORS”) (collectively, “the Stipulating Parties”).

WHEREAS, the above-captioned proceeding was established by the Public Service Commission of South Carolina (the “Commission”) pursuant to the procedures in S.C. Code Ann. § 58-5-240 to review Blue Granite’s application for approval to adjust rate schedules and increase rates (the “Application”), and the Stipulating Parties to this Agreement are parties of record in the above-captioned docket;

WHEREAS, the Commission issued Order No. 2020-306 on April 9, 2020, ruling on Blue Granite’s Application;

WHEREAS, on April 29, 2020, Blue Granite filed a Petition for Reconsideration and Clarification and ORS filed a Petition for Clarification and Rehearing and/or Reconsideration;

WHEREAS, the Commission issued Order No. 2020-641 on September 23, 2020, granting in part and denying in part the parties’ petitions;

WHEREAS, Blue Granite appealed to the Supreme Court of South Carolina, which issued a decision affirming in part and reversing and remanding certain issues to the Commission on September 1, 2021;

WHEREAS, the Supreme Court of South Carolina issued the remittitur on September 20, 2021, and the Commission therefore has jurisdiction on remand;

WHEREAS, the Stipulating Parties have engaged in discussions to determine whether they could reach agreement on the issues remanded to the Commission by the Supreme Court;

WHEREAS, following these discussions, the Stipulating Parties have each determined that their interests, as well as the public and consumer interest, would be best served by stipulating to the issues on remand under the terms and conditions set forth below, all of which are conditioned upon the Commission's approval of the same in its entirety.

#### **A. RESERVATION OF RIGHTS**

A.1 The Stipulating Parties agree to stipulate into the record testimony and exhibits from (1) Blue Granite witness Dante Destefano and (2) testimony from ORS witness Daniel Sullivan, supporting this Stipulation, and agree to waive cross examination of those witnesses. The Stipulating Parties reserve the right to engage in re-direct examination of their witnesses as may be necessary to respond to issues raised by any examination of their witnesses.

#### **B. SETTLEMENT TERMS – ISSUES ON REMAND**

The Supreme Court decision remanded the following issues to the Commission for consideration on remand: 1) amortization of Blue Granite's annual water and wastewater service expenses; 2) recovery of legal expenses incurred in prior cases filed and then later voluntarily withdrawn by Blue Granite; 3) recovery of legal expenses related to administrative law court proceedings dealing with Blue Granite's I-20 system ("ALC Proceedings"); 4) a reasonable rental

allowance for Blue Granite's new headquarters. The Stipulating Parties have agreed to the following treatment of each of these issues as described below and reflected on Exhibit 1 to this Agreement. The Stipulating Parties also have attached Exhibits 2 through 4 to this Agreement to provide Service Territory-level detail for Exhibit 1.

**B.1 Amortization of Blue Granite's Annual Water and Wastewater Service Expenses.**

a. Purchased Services Deferral. Blue Granite was permitted by Order No. 2015-876 in Docket No. 2015-199-WS to defer its purchased water and wastewater treatment costs resulting from increases implemented by its third-party providers. In its application in this proceeding Blue Granite sought to recover \$2,803,968 amortized over three years. ORS recommended and the Stipulating Parties agree that the amount of deferred purchased services that should be used to calculate tariff rates following the remand is \$2,563,596. This figure accepts ORS adjustments to the Purchased Services Deferrals and reflects the actual deferral through November 30, 2019 without carrying costs or inclusion of the unamortized balance in rate base. The Stipulating Parties also agree that the Purchased Services Deferral amount that should be used to calculate revenue requirement and tariff rates as a result of the remand should be amortized over five years as proposed by DCA. Therefore, Exhibit 1 reflects \$512,719 of annual amortization within the Purchased Sewer and Water – Pass Through line item.

b. Purchased Services Adjusted to Reflect Test Year. In its application in this proceeding Blue Granite proposed an adjustment of \$2,640,647 to the Test Year amount for the ongoing purchased water and wastewater treatment expenses. That proposed adjustment reflected actual increases to the Test Year charges to Blue Granite from entities that provide it services on a wholesale basis. ORS recommended and the Stipulating Parties agree to an adjustment amount

of \$2,324,292, which reflects the disallowance of non-revenue purchased water in excess of 10%. The Stipulating Parties agree that tariff rates following the remand should be calculated to reflect ongoing expenses for purchased services in the amount of \$7,591,016, inclusive of the \$2,324,292 adjustment recommended by ORS. Therefore, the total of ongoing purchased services expenses plus amortization of deferred purchased services expenses per B.1 above reflect \$8,103,735 on Exhibit 1 for the Purchased Sewer and Water – Pass Through line item.

B.2 **Legal Expenses – Previous Commission Proceedings.** ORS recommended and the Stipulating Parties agree that legal expenses in the amount of \$36,864 incurred in Docket No. 2018-358-WS and Docket No. 2018-361-WS should be characterized as rate case expenses and amortized over three years instead of the full amount being characterized as test year legal expenses as Blue Granite originally proposed. Therefore, \$12,288 is included on Exhibit 1 for the Regulatory Commission Expense line item.

B.3 **Legal Expenses – ALC Proceedings.** In its application Blue Granite proposed to recover legal expenses incurred in connection with two ALC proceedings relating to its I-20 wastewater treatment plant. ORS recommended and the Stipulating Parties agree that legal expenses for these proceedings in the amount of \$282,721 should be recovered and should be amortized over five years. Therefore, Exhibit 1 reflects \$56,544 of annual amortization within the Maintenance and Repair line item.

B.4 **Office Rent Expenses.** In its application Blue Granite sought to recover \$84,684 in rent expense associated with its Greenville office. ORS proposed an adjustment of \$11,019 to reduce the Greenville office rent expense to \$73,665. The cost components expense and rate base - of Blue Granite's former corporate office in West Columbia have been estimated to produce a cost of service consideration of \$48,834. The cost components of the West Columbia office used

to compute the stipulated Greenville Office Rent Expense were previously accepted as reasonable in Docket 2017-292-WS. The record in this proceeding shows that the West Columbia space housed 7 employees in 4,050 square feet compared to 8 employees housed in 4,287 square feet in the current office. Tr. Vol. 5, p. 355.5. The Stipulating Parties agree that the similar space requirement provides support for the reasonableness of using the West Columbia figure as the rent expense figure and that tariff rates on remand should be calculated using a reasonable rent expense for the Greenville office of \$48,834.

### **C. REMAINING SETTLEMENT TERMS AND CONDITIONS**

C.1 The Stipulating Parties agree that this Stipulation is reasonable, is in the public interest, and is in accordance with law and regulatory policy, including the decision of the Supreme Court on September 1, 2021 ruling on the appeal of the Commission decision in this proceeding. This Agreement in no way constitutes a waiver or acceptance of the position of any Stipulating Party concerning the subject matter herein in any future proceeding except as necessary to effectuate the terms of this Stipulation.

C.2 ORS is charged with representing the public interest of South Carolina. *See* S.C. Code Ann. § 58-4-10(B) (defining public interest as “the concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high quality utility services”). ORS believes this Agreement reached among the Settling Parties is in the public interest as defined in section 58-4-10(B).

C.3 DCA is charged with representing the consumer interest in rate fixing proceedings before the Commission. *See* S.C. Code Ann. §37-6-604(A)(1). DCA believes that supporting this Agreement is consistent with its statutory mandate to represent the consumer interest.

C.4 The Stipulating Parties, including their agents, agree that communications regarding the Agreement, either between the Stipulating Parties or with non-signatories hereto, shall be supportive of the terms agreed to in this Agreement.

C.5 This Agreement contains the complete agreement of the Stipulating Parties regarding the issues on remand in this proceeding. This Agreement integrates all discussions among the Stipulating Parties regarding the terms and conditions of the Program into the terms of this written document. There are no other terms to which the Stipulating Parties have agreed. The Stipulating Parties agree that this Agreement will not constrain, inhibit or impair their arguments or positions held in future proceedings, nor will this Agreement or any of the matters agreed to in it be used as evidence or precedent in any future proceeding. If the Commission declines to approve this Agreement in its entirety and without modification, then any Party may withdraw from the Settlement Agreement without penalty or further obligation.

C.6 This Agreement shall be interpreted according to South Carolina law.

C.7 This Agreement does not establish any precedent with respect to the issues resolved herein, and in no way precludes any Stipulating Party herein from advocating an alternative approach or position in any future proceedings that are not within the scope of, or otherwise contemplated by, this Agreement.

C.8 This Agreement shall bind and inure to the benefit of each of the signatories hereto and their representatives, predecessors, successors, assigns, agents, shareholders, officers, directors (in their individual and representative capacities), subsidiaries, affiliates, parent corporations, if any, joint ventures, heirs, executors, administrators, trustees, and attorneys.

C.9 The Stipulating Parties represent that the terms of this Agreement are based upon full and accurate information known as of the date this Agreement is executed. If, after execution,

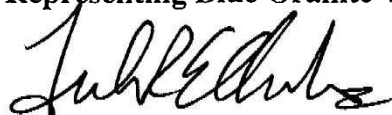
but prior to a Commission decision on the merits of this proceeding, a Stipulating Party is made aware of information that conflicts, nullifies, or is otherwise materially different than that information upon which this Agreement is based, that Stipulating Party may withdraw from the Agreement with written notice to every other Stipulating Party.

C.10 The above terms and conditions represent the agreement of the Stipulating Parties in these dockets. Therefore, each Stipulating Party acknowledges its consent and agreement to this Agreement by authorizing its counsel to affix his or her signature to this document where indicated below. Counsel's signature represents his or her representation that his or her client has authorized the execution of the Agreement. Facsimile signatures and email signatures shall be as effective as original signatures to bind any Stipulating Party. This document may be signed in counterparts, with the various signature pages combined with the body of the document constituting an original and provable copy of this Agreement.

C.11 The Parties agree to cooperate in good faith with one another in recommending to the Commission that this Settlement Agreement be accepted and approved by the Commission as a fair, reasonable, and full resolution of the above-captioned proceedings. The Parties agree to use reasonable efforts before any reviewing court in the event of appeal to defend and support any Commission order issued approving this Agreement and the terms and conditions contained herein.

**[STIPULATING PARTY SIGNATURES TO FOLLOW ON SEPARATE PAGES]**

**Representing Blue Granite Water Company**



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12-16-2021

**Blue Granite Water Company**  
**Operating Experience, Rate Base and Rate of Return**  
**Combined Operations - Water and Sewer Service Territory 1 & 2**  
**Docket No. 2019-290-WS**  
**For the Test Year Ended June 30, 2019**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<b><u>Operating Revenues</u></b>					
Service Revenues - Water	11,868,922	280,468	(1) 12,149,390	3,365,467 (40)	15,514,857
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	3,758,161 (41)	15,192,415
Miscellaneous Revenues	445,566	4,043	(3) 449,609	58,154 (42)	507,763
Uncollectible Accounts	(250,471)	(7,644)	(4) (258,115)	(74,516) (43)	(332,631)
<b>Total Operating Revenues</b>	<b>22,993,950</b>	<b>781,188</b>	<b>23,775,138</b>	<b>7,107,266</b>	<b>30,882,404</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	2,670,783	(1,344,062)	(5) 1,326,721	0	1,326,721
Capitalized Time	(333,423)	73,614	(6) (259,809)	0	(259,809)
Purchased Power	771,660	0	(7) 771,660	0	771,660
Purchased Sewer and Water - Pass Through	5,266,724	2,837,011	(8) 8,103,735	0	8,103,735
Maintenance and Repair	3,031,412	937,334	(9) 3,968,746	0	3,968,746
Maintenance Testing	314,455	(174,416)	(10) 140,039	0	140,039
Meter Reading	112,607	(72,815)	(11) 39,792	0	39,792
Chemicals	360,819	(99,043)	(12) 261,776	0	261,776
Transportation	238,985	(118,674)	(13) 120,311	0	120,311
Operating Exp. Charged to Plant	0	0	0	0	0
<b>Total Maintenance Expenses</b>	<b>12,434,022</b>	<b>2,038,949</b>	<b>14,472,971</b>	<b>0</b>	<b>14,472,971</b>
<b><u>General Expenses</u></b>					
Salaries and Wages	871,623	538,807	(14) 1,410,430	0	1,410,430
Office Supplies & Other Office Exp	1,980,731	(1,564,724)	(15) 416,007	0	416,007
Regulatory Commission Exp.	138,293	177,011	(16) 315,304	0	315,304
Pension & Other Benefits	779,623	(165,041)	(17) 614,582	0	614,582
Rent	97,022	60,008	(18) 157,030	0	157,030
Insurance	348,323	163,371	(19) 511,694	0	511,694
Office Utilities	491,952	(98,634)	(20) 393,318	0	393,318
Outside Services - Other	1,062,984	(188,889)	(21) 874,095	0	874,095
Non-Utility Mise Expense	442,691	(442,691)	(22) 0	0	0
Miscellaneous	61,301	4,566	(23) 65,867	0	65,867
<b>Total General Expenses</b>	<b>6,274,543</b>	<b>(1,516,216)</b>	<b>4,758,327</b>	<b>0</b>	<b>4,758,327</b>
<b><u>Other Expenses</u></b>					
Depreciation	1,788,412	1,494,488	(24) 3,282,900	0	3,282,900
Amortization of CIAC	(406,510)	(538,846)	(25) (945,356)	0	(945,356)
Taxes Other Than Income	3,499,587	166,467	(26) 3,666,054	37,869 (44)	3,703,923
Income Taxes - Federal	(431,984)	(382,721)	(27) (814,705)	1,410,344 (45)	595,639
Income Taxes - State	(185,161)	13,321	(28) (171,840)	353,470 (46)	181,630
Sale of Utility Property	(20,253)	20,253	(29) 0	0	0
Amort. Investment Tax Credit	(8,854)	0	(8,854)	0	(8,854)
Amortization of PAA	(15,713)	0	(15,713)	0	(15,713)
<b>Total Other Expenses</b>	<b>4,219,524</b>	<b>772,962</b>	<b>4,992,486</b>	<b>1,801,683</b>	<b>6,794,169</b>
<b>Total Operating Expenses</b>	<b>22,928,089</b>	<b>1,295,695</b>	<b>24,223,784</b>	<b>1,801,683</b>	<b>26,025,467</b>
<b>Net Operating Income</b>	<b>65,861</b>	<b>(514,507)</b>	<b>(448,646)</b>	<b>5,305,583</b>	<b>4,856,937</b>
Customer Growth	0	0	(30) 0	74,561 (47)	74,561
Interest During Construction	(172,635)	172,635	(31) 0	0	0
<b>Net Income (Loss) For Return</b>	<b>238,496</b>	<b>(687,142)</b>	<b>(448,646)</b>	<b>5,380,144</b>	<b>4,931,498</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	103,656,698	415,288	(32) 104,071,986	0	104,071,986
Accumulated Depreciation	(16,190,845)	3,337,761	(33) (12,853,084)	0	(12,853,084)
Net Plant In Service	87,465,853	3,753,049	91,218,902	0	91,218,902
Deferred Charges	0	4,818,974	(34) 4,818,974	0	4,818,974
Cash Working Capital	1,680,231	(289,285)	(35) 1,390,946	0	1,390,946
Contributions In Aid of Construction	(20,300,003)	2,205,788	(36) (18,094,215)	0	(18,094,215)
Accumulated Deferred Income Taxes	(3,522,916)	0	(3,522,916)	0	(3,522,916)
Customer Deposits	(334,350)	0	(334,350)	0	(334,350)
Plant Held for Future Use	0	0	(37) 0	0	0
Plant Acquisition Adjustment	(831,277)	0	(831,277)	0	(831,277)
Excess Book Value	0	(464,646)	(38) (464,646)	0	(464,646)
<b>Total Rate Base</b>	<b>64,157,538</b>	<b>10,023,880</b>	<b>74,181,418</b>	<b>0</b>	<b>74,181,418</b>
<b>Return on Rate Base</b>	<b>0.37%</b>		<b>-0.60%</b>		<b>6.65%</b>
<b>Operating Margin</b>	<b>-6.91%</b>		<b>-10.31%</b>		<b>9.49%</b>
<b>Interest Expense</b>	<b>1,828,315</b>	<b>173,291</b>	<b>(39) 2,001,606</b>	<b>0</b>	<b>2,001,606</b>

**Blue Granite Water Company**  
**Operating Experience, Rate Base and Rate of Return**  
**Water Service Territory 1**  
**Docket No. 2019-290-WS**  
**For the Test Year Ended June 30, 2019**

<b>Description</b>	<b>(1) Application Per Books \$</b>	<b>(2) Accounting &amp; Pro Forma Adjustments \$</b>	<b>(3) After Accounting &amp; Pro Forma Present \$</b>	<b>(4) ORS Adjustments \$</b>	<b>(5) After ORS Adjustments \$</b>
<b><u>Operating Revenues</u></b>					
Service Revenues - Water	6,307,416	272,372	(1) 6,579,788	2,545,596 (40)	9,125,384
Miscellaneous Revenues	84,940	(290)	(3) 84,650	8,946 (42)	93,596
Uncollectible Accounts	(62,865)	(2,933)	(4) (65,798)	(25,456) (43)	(91,254)
<b>Total Operating Revenues</b>	<b>6,329,491</b>	<b>269,149</b>	<b>6,598,640</b>	<b>2,529,086</b>	<b>9,127,726</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	842,497	(484,042)	(5) 358,455	0	358,455
Capitalized Time	(101,347)	25,726	(6) (75,621)	0	(75,621)
Purchased Power	72,278	0	(7) 72,278	0	72,278
Purchased Water - Pass Through	2,859,944	537,009	(8) 3,396,953	0	3,396,953
Maintenance and Repair	628,927	577,996	(9) 1,206,923	0	1,206,923
Maintenance Testing	40,064	(33,212)	(10) 6,852	0	6,852
Meter Reading	31,148	(44,196)	(11) (13,048)	0	(13,048)
Chemicals	132,225	(25,360)	(12) 106,865	0	106,865
Transportation	84,341	(42,445)	(13) 41,896	0	41,896
Operating Exp. Charged to Plant	0	0	0	0	0
<b>Total Maintenance Expenses</b>	<b>4,590,077</b>	<b>511,476</b>	<b>5,101,553</b>	<b>0</b>	<b>5,101,553</b>
<b><u>General Expenses</u></b>					
Salaries and Wages	308,198	191,693	(14) 499,891	0	499,891
Office Supplies & Other Office Exp	788,991	(644,604)	(15) 144,387	0	144,387
Regulatory Commission Exp.	48,900	62,825	(16) 111,725	0	111,725
Pension & Other Benefits	275,491	(94,905)	(17) 180,586	0	180,586
Rent	25,824	21,538	(18) 47,362	0	47,362
Insurance	123,183	58,173	(19) 181,356	0	181,356
Office Utilities	167,049	(35,121)	(20) 131,928	0	131,928
Outside Services - Other	374,956	(58,653)	(21) 316,303	0	316,303
Non-Utility Misc Expense	156,637	(156,637)	(22) 0	0	0
Miscellaneous	21,275	1,217	(23) 22,492	0	22,492
<b>Total General Expenses</b>	<b>2,290,504</b>	<b>(654,474)</b>	<b>1,636,030</b>	<b>0</b>	<b>1,636,030</b>
Depreciation	464,276	539,028	(24) 1,003,304	0	1,003,304
Amortization of CIAC	(164,957)	(467,848)	(25) (632,805)	0	(632,805)
Taxes Other Than Income	1,111,788	(15,892)	(26) 1,095,896	13,470 (44)	1,109,366
Income Taxes - Federal	(154,415)	(268,491)	(27) (422,906)	501,865 (45)	78,959
Income Taxes - State	(99,023)	2,669	(28) (96,354)	125,781 (46)	29,427
Sale of Utility Property	(29,922)	29,922	(29) 0	0	0
Amort. Investment Tax Credit	(4,214)	0	(4,214)	0	(4,214)
Amortization of PAA	(13,504)	0	(13,504)	0	(13,504)
<b>Total Other Expenses</b>	<b>1,110,029</b>	<b>(180,612)</b>	<b>929,417</b>	<b>641,116</b>	<b>1,570,533</b>
<b>Total Operating Expenses</b>	<b>7,990,610</b>	<b>(323,610)</b>	<b>7,667,000</b>	<b>641,116</b>	<b>8,308,116</b>
<b>Net Operating Income</b>	<b>(1,661,119)</b>	<b>592,759</b>	<b>(1,068,360)</b>	<b>1,887,970</b>	<b>819,610</b>
Customer Growth	0	0	(30) 0	16,713 (47)	16,713
Interest During Construction	(74,253)	74,253	(31) 0	0	0
<b>Net Income (Loss) For Return</b>	<b>(1,586,866)</b>	<b>518,506</b>	<b>(1,068,360)</b>	<b>1,904,683</b>	<b>836,323</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	25,669,070	1,152,082	(32) 26,821,152	0	26,821,152
Accumulated Depreciation	(5,359,140)	1,188,052	(33) (4,171,088)	0	(4,171,088)
Net Plant In Service	20,309,930	2,340,134	22,650,064	0	22,650,064
Deferred Charges	0	(168,135)	(34) (168,135)	0	(168,135)
Cash Working Capital	502,580	(85,001)	(35) 417,579	0	417,579
Contributions In Aid of Construction	(8,780,986)	370,017	(36) (8,410,969)	0	(8,410,969)
Accumulated Deferred Income Taxes	(964,199)	0	(964,199)	0	(964,199)
Customer Deposits	(105,884)	0	(105,884)	0	(105,884)
Plant Held for Future Use	0	0	0	0	-
Plant Acquisition Adjustment	(614,752)	0	(614,752)	0	(614,752)
Excess Book Value	0	(223,030)	(38) (223,030)	0	(223,030)
<b>Total Rate Base</b>	<b>10,346,689</b>	<b>2,233,985</b>	<b>12,580,674</b>	<b>0</b>	<b>12,580,674</b>
<b>Return on Rate Base</b>	<b>-15.34%</b>		<b>-8.49%</b>		<b>6.65%</b>
<b>Operating Margin</b>	<b>-33.96%</b>		<b>-21.33%</b>		<b>5.44%</b>
<b>Interest Expense</b>	<b>562,651</b>	<b>(223,192)</b>	<b>(39) 339,459</b>	<b>0</b>	<b>339,459</b>

**Blue Granite Water Company**  
**Operating Experience, Rate Base and Rate of Return**  
**Water Service Territory 2**  
**Docket No. 2019-290-WS**  
**For the Test Year Ended June 30, 2019**

<b>Description</b>	<b>(1) Application Per Books \$</b>	<b>(2) Accounting &amp; Pro Forma Adjustments \$</b>	<b>(3) After Accounting &amp; Pro Forma Present \$</b>	<b>(4) ORS Adjustments \$</b>	<b>(5) After ORS Adjustments \$</b>
<b><u>Operating Revenues</u></b>					
Service Revenues - Water	5,561,506	8,096	(1) 5,569,602	819,871 (40)	6,389,473
Miscellaneous Revenues	115,189	0	(3) 115,189	5,282 (42)	120,471
Uncollectible Accounts	(77,873)	(101)	(4) (77,974)	(11,479) (43)	(89,453)
<b><u>Total Operating Revenues</u></b>	<b>5,598,822</b>	<b>7,995</b>	<b>5,606,817</b>	<b>813,675</b>	<b>6,420,492</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	668,288	(264,947)	(5) 403,341	0	403,341
Capitalized Time	(71,806)	12,190	(6) (59,616)	0	(59,616)
Purchased Power	180,096	0	(7) 180,096	0	180,096
Purchased Water - Pass Through	761,771	77,039	(8) 838,810	0	838,810
Maintenance and Repair	440,252	261,585	(9) 701,837	0	701,837
Maintenance Testing	97,005	(48,101)	(10) 48,904	0	48,904
Meter Reading	45,376	(9,488)	(11) 35,888	0	35,888
Chemicals	54,966	(14,317)	(12) 40,649	0	40,649
Transportation	52,482	(25,511)	(13) 26,971	0	26,971
Operating Exp. Charged to Plant	0	0	0	0	0
<b><u>Total Maintenance Expenses</u></b>	<b>2,228,430</b>	<b>(11,551)</b>	<b>2,216,879</b>	<b>0</b>	<b>2,216,879</b>
<b><u>General Expenses</u></b>					
Salaries and Wages	192,149	115,859	(14) 308,008	0	308,008
Office Supplies & Other Office Exp	270,298	(175,329)	(15) 94,969	0	94,969
Regulatory Commission Exp.	30,488	38,435	(16) 68,923	0	68,923
Pension & Other Benefits	172,239	(5,031)	(17) 167,208	0	167,208
Rent	38,829	12,542	(18) 51,371	0	51,371
Insurance	76,740	35,004	(19) 111,744	0	111,744
Office Utilities	110,492	(21,368)	(20) 89,124	0	89,124
Outside Services - Other	235,453	(89,262)	(21) 146,191	0	146,191
Non-Utility Misc Expense	97,387	(97,387)	(22) 0	0	0
Miscellaneous	14,337	1,626	(23) 15,963	0	15,963
<b><u>Total General Expenses</u></b>	<b>1,238,412</b>	<b>(184,911)</b>	<b>1,053,501</b>	<b>0</b>	<b>1,053,501</b>
Depreciation	408,578	389,640	(24) 798,218	0	798,218
Amortization of CIAC	(7,201)	(25,453)	(25) (32,654)	0	(32,654)
Taxes Other Than Income	992,688	(13,083)	(26) 979,605	4,351 (44)	983,956
Income Taxes - Federal	(33,770)	15,606	(27) (18,164)	161,460 (45)	143,296
Income Taxes - State	23,613	(18,713)	(28) 4,900	40,466 (46)	45,366
Sale of Utility Property	(18,297)	18,297	(29) 0	0	0
Amort. Investment Tax Credit	0	0	0	0	0
Amortization of PAA	1,564	0	1,564	0	1,564
<b><u>Total Other Expenses</u></b>	<b>1,367,175</b>	<b>366,294</b>	<b>1,733,469</b>	<b>206,277</b>	<b>1,939,746</b>
<b><u>Total Operating Expenses</u></b>	<b>4,834,017</b>	<b>169,832</b>	<b>5,003,849</b>	<b>206,277</b>	<b>5,210,126</b>
<b><u>Net Operating Income</u></b>	<b>764,805</b>	<b>(161,837)</b>	<b>602,968</b>	<b>607,398</b>	<b>1,210,366</b>
Customer Growth	0	0	(30) 0	1,094 (47)	1,094
Interest During Construction	(5,925)	5,925	(31) 0	0	0
<b><u>Net Income (Loss) For Return</u></b>	<b>770,730</b>	<b>(167,762)</b>	<b>602,968</b>	<b>608,492</b>	<b>1,211,460</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	22,208,337	1,053,999	(32) 23,262,336	0	23,262,336
Accumulated Depreciation	(3,277,394)	342,050	(33) (2,935,344)	0	(2,935,344)
Net Plant In Service	18,930,943	1,396,049	20,326,992	0	20,326,992
Deferred Charges	0	(601,264)	(34) (601,264)	0	(601,264)
Cash Working Capital	338,134	(34,187)	(35) 303,947	0	303,947
Contributions In Aid of Construction	(351,720)	9,997	(36) (341,723)	0	(341,723)
Accumulated Deferred Income Taxes	(1,239,587)	0	(1,239,587)	0	(1,239,587)
Customer Deposits	(90,717)	0	(90,717)	0	(90,717)
Plant Held for Future Use	0	0	0	0	0
Plant Acquisition Adjustment	(134,480)	0	(134,480)	0	(134,480)
Excess Book Value	0	0	(38) 0	0	0
<b><u>Total Rate Base</u></b>	<b>17,452,573</b>	<b>770,595</b>	<b>18,223,168</b>	<b>0</b>	<b>18,223,168</b>
<b><u>Return on Rate Base</u></b>	<b>4.42%</b>		<b>3.31%</b>		<b>6.65%</b>
<b><u>Operating Margin</u></b>	<b>4.29%</b>		<b>1.98%</b>		<b>11.21%</b>
<b><u>Interest Expense</u></b>	<b>530,582</b>	<b>(38,874)</b>	<b>(39) 491,708</b>	<b>0</b>	<b>491,708</b>

**Blue Granite Water Company**  
**Operating Experience, Rate Base and Rate of Return**  
**Sewer Service Territory 1 and 2**  
**Docket No. 2019-290-WS**  
**For the Test Year Ended June 30, 2019**

<u>Description</u>	(1) Application Per Books \$	(2) Accounting & Pro Forma Adjustments \$	(3) After Accounting & Pro Forma Present \$	(4) ORS Adjustments \$	(5) After ORS Adjustments \$
<b><u>Operating Revenues</u></b>					
Service Revenues - Sewer	10,929,933	504,321	(2) 11,434,254	3,758,161	(41) 15,192,415
Miscellaneous Revenues	245,437	4,333	(3) 249,770	43,926	(42) 293,696
Uncollectible Accounts	(109,733)	(4,610)	(4) (114,343)	(37,581)	(43) (151,924)
<b><u>Total Operating Revenues</u></b>	<b>11,065,637</b>	<b>504,044</b>	<b>11,569,681</b>	<b>3,764,506</b>	<b>15,334,187</b>
<b><u>Maintenance Expenses</u></b>					
Salaries and Wages	1,159,998	(595,073)	(5) 564,925	0	564,925
Capitalized Time	(160,270)	35,698	(6) (124,572)	0	(124,572)
Purchased Power	519,286	0	(7) 519,286	0	519,286
Purchased Sewer	1,645,009	2,222,964	(8) 3,867,973	0	3,867,973
Maintenance and Repair	1,962,233	97,753	(9) 2,059,986	0	2,059,986
Maintenance Testing	177,386	(93,103)	(10) 84,283	0	84,283
Meter Reading	36,083	(19,131)	(11) 16,952	0	16,952
Chemicals	173,628	(59,366)	(12) 114,262	0	114,262
Transportation	102,162	(50,718)	(13) 51,444	0	51,444
Operating Exp. Charged to Plant	0	0	0	0	0
<b><u>Total Maintenance Expenses</u></b>	<b>5,615,515</b>	<b>1,539,024</b>	<b>7,154,539</b>	<b>0</b>	<b>7,154,539</b>
<b><u>General Expenses</u></b>					
Salaries and Wages	371,276	231,255	(14) 602,531	0	602,531
Office Supplies & Other Office Exp	921,442	(744,791)	(15) 176,651	0	176,651
Regulatory Commission Exp.	58,905	75,751	(16) 134,656	0	134,656
Pension & Other Benefits	331,893	(65,105)	(17) 266,788	0	266,788
Rent	32,369	25,928	(18) 58,297	0	58,297
Insurance	148,400	70,194	(19) 218,594	0	218,594
Office Utilities	214,411	(42,145)	(20) 172,266	0	172,266
Outside Services - Other	452,575	(40,974)	(21) 411,601	0	411,601
Non-Utility Misc Expense	188,667	(188,667)	(22) 0	0	0
Miscellaneous	25,689	1,723	(23) 27,412	0	27,412
<b><u>Total General Expenses</u></b>	<b>2,745,627</b>	<b>(676,831)</b>	<b>2,068,796</b>	<b>0</b>	<b>2,068,796</b>
Depreciation	915,558	565,820	(24) 1,481,378	0	1,481,378
Amortization of CIAC	(234,352)	(45,545)	(25) (279,897)	0	(279,897)
Taxes Other Than Income	1,395,111	195,442	(26) 1,590,553	20,048	(44) 1,610,601
Income Taxes - Federal	(243,799)	(129,836)	(27) (373,635)	747,019	(45) 373,384
Income Taxes - State	(109,751)	29,365	(28) (80,386)	187,223	(46) 106,837
Sale of Utility Property	27,966	(27,966)	(29) 0	0	0
Amort. Investment Tax Credit	(4,640)	0	(4,640)	0	(4,640)
Amortization of PAA	(3,773)	0	(3,773)	0	(3,773)
<b><u>Total Other Expenses</u></b>	<b>1,742,320</b>	<b>587,280</b>	<b>2,329,600</b>	<b>954,290</b>	<b>3,283,890</b>
<b><u>Total Operating Expenses</u></b>	<b>10,103,462</b>	<b>1,449,473</b>	<b>11,552,935</b>	<b>954,290</b>	<b>12,507,225</b>
<b><u>Net Operating Income</u></b>	<b>962,175</b>	<b>(945,429)</b>	<b>16,746</b>	<b>2,810,216</b>	<b>2,826,962</b>
Customer Growth	0	0	(30) 0	56,754	(47) 56,754
Interest During Construction	(92,457)	92,457	(31) 0	0	0
<b><u>Net Income (Loss) For Return</u></b>	<b>1,054,632</b>	<b>(1,037,886)</b>	<b>16,746</b>	<b>2,866,970</b>	<b>2,883,716</b>
<b><u>Original Cost Rate Base:</u></b>					
Gross Plant In Service	55,779,291	(1,790,793)	(32) 53,988,498	0	53,988,498
Accumulated Depreciation	(7,554,311)	1,807,659	(33) (5,746,652)	0	(5,746,652)
Net Plant In Service	48,224,980	16,866	48,241,846	0	48,241,846
Deferred Charges	0	5,588,373	(34) 5,588,373	0	5,588,373
Cash Working Capital	839,517	(170,097)	(35) 669,420	0	669,420
Contributions In Aid of Construction	(11,167,297)	1,825,774	(36) (9,341,523)	0	(9,341,523)
Accumulated Deferred Income Taxes	(1,319,130)	0	(1,319,130)	0	(1,319,130)
Customer Deposits	(137,749)	0	(137,749)	0	(137,749)
Plant Held for Future Use	0	0	(37) 0	0	-
Plant Acquisition Adjustment	(82,045)	0	(82,045)	0	(82,045)
Excess Book Value	0	(241,616)	(38) (241,616)	0	(241,616)
<b><u>Total Rate Base</u></b>	<b>36,358,276</b>	<b>7,019,300</b>	<b>43,377,576</b>	<b>0</b>	<b>43,377,576</b>
<b><u>Return on Rate Base</u></b>	<b>2.90%</b>		<b>0.04%</b>		<b>6.65%</b>
<b><u>Operating Margin</u></b>	<b>2.89%</b>		<b>-9.97%</b>		<b>11.17%</b>
<b><u>Interest Expense</u></b>	<b>735,082</b>	<b>435,357</b>	<b>(39) 1,170,439</b>	<b>0</b>	<b>1,170,439</b>